

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10

SS-20 STR-08 CEA-02 L-03 H-03 DRC-01 ( ISO ) W

----- 077340

R 241703Z OCT 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1498

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DACCA

AMEMBASSY THE HAGUE

AMEMBASSY ISLAMABAD

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L ROME 11656

E.O. 11652: GDS

TAGS: EFIN PK BD

SUBJECT: PAKISTAN-BANGLADESH DEBT

REF STATE 208687

1. SUMMARY. WHILE EXPRESSING A PREFERENCE FOR  
RESCHEDULING TOTAL PAKISTAN DEBT AS BEST METHOD TO  
RESOLVE PROBLEMS OF DISPUTED DEBT AND DEPT SERVICE  
HUMP, ITALIAN TREASURY STRESSED THAT EXTENSION OF  
REPAYMENT TERMS PLACED A HEAVY STRAIN ON TREASURY  
BUDGET. END SUMMARY.

2. ON OCTOBER 24 EMBOFF RAISED ISSUE OF POSSIBLE DEBT  
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RESCHEDULING FOR PAKISTAN PER INSTRUCTIONS REFTTEL

WITH SALVATORE BAEI, SENIOR DIRECTOR CONCERNED WITH AID TO LDC'S, HIS DEPUTY, CLEMENTE, AND PERNOZZOLI OFFICER IN CHARGE OF PAKISTAN AND BANGLADESH MATTERS, MINISTRY OF THE TREASURY. TREASURY OFFICIALS EXPRESSED INTEREST IN US EFFORTS TO RESOLVE DISPUTED DEBTS AND SAW MERITIN SEEKING TO PROVIDE RELIEF FOR PAKISTAN'S EXCESSIVE DEBT BURDEN DURING THREE-YEAR PERIOD, 1974-1977. AT SAME TIME, THEY UNDERSCORED BUDGETARY DIFFICULTIES ITALIAN TREASURY FACES EVEN NOW AS A RESULT OF PREVIOUS DEBT RESCHEDULINGS. BAEI EXPLAINED THAT EXTENDING REPAYMENT TERMS FOR COMMERCIAL DEBTS INCREASES COST TO TREASURY OF SUBSIDIZING INTEREST RATE FOR EXPORT CREDITS, WHICH IS PERDOMINANT FORM OF ITALIAN AID TO LDC'S.

3. FOLLOWING A DISCUSSION OF MERITS OF THREE POSSIBLE APPROACHES DEVELOPED BY USG (CONTAINED PARA 4 REFTEL), TREASURY OFFICIALS EXPRESSED VIEW THAT:

A. FIRST PROPOSAL PRESENTED KNOTTY PROBLEM OF DETERMINING WHAT PORTION OF TOTAL DEBT OWED FOR COMMODITIES COULD CORRECTLY BE ALLOCATED TO BANGLADESH; IN OTHER WORDS, THEY DID NOT SEE HOW DISPUTED PORTION OF DEBT COULD BE IDENTIFIED FOR RESCHEDULING, EVEN THOUGH EMBOFF PROVIDED THEM WITH STATISTICS FROM PARA 7 REFTEL.

B. SECOND PROPOSAL WAS UNACCEPTABLE AS IT IS LEGALLY IMPOSSIBLE FOR ITALY TO WRITE OFF DEBTS.

C. THIRD PROPOSAL WAS PREFERABLE FROM ITALIAN POINT OF VIEW AND WOULD PROBABLY BEST MEET PAKISTAN'S NEED IN THAT RESCHEDULING WOULD ELIMINATE BOTH DISPUTED DEBT QUESTION AND HEAVY DEBT BURDEN HUMP HOWEVER, THIS WOULD BE PREFERRED SOLUTION ONLY IF RESCHEDULING WERE WORKED OUT ACCORDING TO ACCEPTABLE TERMS, WHICH FOR ITALIANS PRECLUDES INDONESIA-TYPE CONCESSIONARY TERMS. AT THIS POINT, BAEI AGAIN EXPRESSED CONCERN ABOUT BUDGETARY BURDEN OF FURTHER EXTENSION OF REPAYMENT TERMS.

4. ECONOMIC/ COMERCIAL MINISTER IS SEEING MINISTER RICCIULLI, VICE DIRECTOR GENERAL FOR ECONOMIC AFFAIRS, MINISTRY OF FOREIGN AFFAIRS OCTOBER 24 AT 1900 HOURS (LOCAL TIME) ON QUESTION PAKISTAN DEBT AND 1974 EXCHANGE  
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STABILIZATION FUND FOR CAMBODIA (REF STATE 209490).  
REACTIONS OF MFA WILL BE REPORTED IN SUBSEQUENT CABLE.  
VOLPE

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEBT REPAYMENTS, EXPORT CREDIT GUARANTEES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 OCT 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS VOLPE  
**Errors:** N/A  
**Film Number:** n/a  
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**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 208687  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 17 SEP 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <17-Sep-2001 by kelleyw0>; APPROVED <21-Nov-2001 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
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30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PAKISTAN-BANGLADESH DEBT  
**TAGS:** EFIN, PK, BD, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005